

Message Text

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TAGS: ETRD, EGEN, UN, BR

SUBJECT: SEVENTH SPECIAL SESSION--BRAZILIAN FOOTWEAR

REFS: USUN 3873, BRASILIA 7493, USUN 3859

1. TREASURY ANNOUNCED IMPOSITION OF COUNTERVAILING DUTIES
ON IMPORTS OF BRAZILIAN FOOTWEAR ON SEPTEMBER 11, 1974, AS
CONSEQUENCE OF ITS DETERMINATION THAT GOB WAS SUBSIDIZING
EXPORTS OF FOOTWEAR TO U.S.

2. BACKGROUND-AMERICAN FOOTWEAR INDUSTRIES ASSOCIATION
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FILED COMPLAINT WITH TREASURY JULY 1973 ALLEGING BRAZILIAN

FOOTWEAR EXPORTERS RECEIVING BOUNTIES OR GRANTS. FOLLOWING UNSUCCESSFUL ATTEMPT BY U.S. TO PERSUADE GOB TO ENGAGE IN SUBSTANTIVE DISCUSSIONS ON ISSUE, A PROCEEDING NOTICE ANNOUNCING OPENING OF FORMAL INVESTIGATION WAS PUBLISHED

ON MARCH 8, 1974. INTENSIVE TECHNICAL DISCUSSIONS WERE HELD IN BRASILIA AND WASHINGTON. INVESTIGATION REVEALED COMPLEX SYSTEM OF SUBSIDIES, WITH BOUNTIES OR GRANTS VARYING FROM FIRM TO FIRM. A SPECIAL SYSTEM OF MULTIPLE RATES WAS IMPOSED TO PROVIDE THE MAXIMUM DEGREE OF LIBERAL TREATMENT OF BRAZILIAN EXPORTERS CONSISTENT WITH U.S. LAW. IN ANOTHER CONCESSION TO THE BRAZILIANS, TREASURY AGREED TO

ASSESS DUTIES ON CURRENT 1975 IMPORTS BASED ON DATA DEVELOPED IN 1974 REGARDING AMOUNTS OF SUBSIDIES. NORMAL PRACTICE WOULD BE TO WITHHOLD IMPOSITION OF DUTIES DURING 1975 AND ASSESS THEM RETROACTIVELY FOLLOWING A REVIEW OF BRAZILIAN SUBSIDY PROGRAMS IN 1976. REVISION OF APPLICABLE COUNTERVAILING DUTIES WILL OCCUR IN EARLY 1976 AND BRAZILIANS MAY WANT TO SUBMIT FURTHER DETAILED INFORMATION ON ACTUAL SUBSIDIES RECEIVED BY BRAZILIAN FOOTWEAR EXPORTERS. APPROXIMATELY 75 PERCENT OF FOOTWEAR SHIPMENTS ARE ASSESSED AT 4.8 PERCENT. MAXIMUM COUNTERVAILING DUTY RATE IS 12.3 PERCENT.

3. FOOTWEAR IMPORTS FROM BRAZIL WERE 41,806,000 DOLLARS IN 1972, 81,260,000 DOLLARS IN 1973, AND 88,696,000 DOLLARS IN 1974. IN FIRST SIX MONTHS OF 1975 AS COMPARED TO FIRST SIX MONTHS OF 1974, BRAZILIAN FOOTWEAR IMPORTS ROSE 29 PERCENT TO 52,701,000 DOLLARS WHILE FOOTWEAR IMPORTS AS A WHOLE ROSE 11 PERCENT.

4. OBSERVATIONS:

A) USG AWARE OF GOB CONCERN AND, INsofar AS LEGALLY POSSIBLE, HAS GIVEN IT FULL AND SYMPATHETIC CONSIDERATION.

B) U.S. LEGISLATION ON COUNTERVAILING DUTIES LEAVES SECRETARY OF TREASURY NO DISCRETION IN IMPOSITION OF DUTIES ON FOOTWEAR IF INVESTIGATIONS CONFIRM THAT BOUNTY OR GRANT EXISTS.

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C) USG RECOGNIZES THERE IS SOME DISAGREEMENT AS TO RIGHTS AND OBLIGATIONS OF CONTRACTING PARTIES OF GATT REGARDING SUBSIDIES AND COUNTERVAILING DUTIES. IT IS CLEAR, HOWEVER, THAT PROTOCOL OF PROVISIONAL APPLICATION EXEMPTS U.S. FROM INJURY REQUIREMENT IN ARTICLE 6(A) OF THE GATT.

D) USG CONSIDERS MTN BEST FORUM FOR LONG-RANGE SOLUTION OF PROBLEMS OF SUBSIDIES AND COUNTERVAILING DUTIES. U.S. HAS INDICATED WILLINGNESS TO EXPLORE POSSIBILITY OF NEW AND

COMPREHENSIVE RULES AND, IN THAT CONTEXT, TO DISCUSS
DIFFERENTIAL TREATMENT FOR DEVELOPING COUNTRIES. ROBINSON

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